**Wisconsin Department of
Health and Family Services**

Family Care Capitation Rates, CY 2004

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Wisconsin Department of
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Summary of Exhibits

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I.   EXECUTIVE SUMMARY

The Family Care program sponsored by the State of Wisconsin Department of Health and Family Services covers long-term care (LTC) services previously provided through the Medicaid State Plan, the Medicaid Home and Community Based Waivers (Waiver), and the Community Options Program (COP). Primary and acute medical services are not covered by Family Care. These latter services continue to be provided in the Medicaid fee-for-service environment.

This report describes the methodology used to develop the 2004 Family Care per member per month (PMPM) prospective payment rates. The Care Management Organization (CMO) in each county (Fond du Lac, La Crosse, Milwaukee, Portage, and Richland) will be paid a capitation amount based on a blend of:

1. The final calendar year (CY) 2001 capitation rate, trended to 2004. This approach assumes that the CMOs have fully enrolled their Waiver population and thus the case mix should be stable in the future. This rate is given 25% weight.

2. The functional status of Family Care's October 2003 enrollees. This rate is given 75% weight.

CY 2004 fee-for-service capitation rates (1 above) are based primarily on 1999 historical experience. The historical experience was adjusted for a number of factors. The functional status rate (2 above) is based on the 2002 data for all CMOs combined, trended to 2004, adjusted to include an allowance for administration, risk, and technology as well as for each CMO's functional status mix.

Comments on Results

The trends used in the capitation projection were developed by analyzing the Elderly and Disabled enrollee costs separately. The proportion of Waiver eligibles that are Disabled increased from 59% in 1999 to 60% in 2002. Since the cost PMPM of Disabled eligibles is roughly twice that of Elderly eligibles, this shift caused the trends observed in the combined population to be higher by about 0.3% over two years. Since capitation rates are essentially set separately for Elderly and Disabled, these trends are calculated separately and then composited using the Waiver amount paid in 2002. The trends reflect

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provider fee increases in 2004. We assumed a composite trend of 2.6% from 2003 to 2004.

The functional status rates are based on a regression model of functional status (as collected by the Resource Centers) and CMO reported experience for calendar year 2002. Regression is a statistical technique that produces an estimate of the effect of each factor individually on the cost for an individual. The final model uses the following "functional" measures to develop the capitation rates:

- ◆ County
- ◆ SNF level of care for the elderly
- ◆ Type of developmental disability for the disabled, if any
- ◆ ADLs and their levels of help
- ◆ Number of IADLs
- ◆ Interaction terms among various ADLs
- ◆ Behavioral indicators
- ◆ Medication management

The interaction terms among ADLs recognize that certain combinations of living assistance or equipment are associated with costs and that just recognizing these factors individually would over- or under-estimate costs. Interaction terms improve the fit of the model.

The county values from the regression model recognize county-to-county cost differences that are not explained by the other factors in the model. These differences are due to: provider fee levels, resource availability, potentially incomplete data, CMO management and other factors. We blended these factors with estimates of area differences based on a study of regional cost differences for a market basket of LTC services.

Adjustments were made to the rates to account for MA-specific cost sharing and for the additional costs of nine residents of the current northern center who are being relocated to CMOs.

In performing this analysis, we relied on data and other information provided by the State. We have not audited or verified this data or other information. If the underlying data or information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete.

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We performed a limited review of the data used directly in our analysis for reasonableness and consistency and have not found material defects in the data. If there are material defects in the data, it is possible that they would be uncovered by a detailed, systematic review and comparison of the data to search for data values that are questionable or for relationships that are materially inconsistent. Such a review was beyond the scope of our assignment.

Differences between our projections and actual amounts depend on the extent to which future experience conforms to the assumptions made for this analysis. It is certain that actual experience will not conform exactly to the assumptions used in this analysis. Actual amounts will differ from projected amounts to the extent that actual experience is better or worse than expected.

This report is intended to assist the State to develop Family Care capitation rates. It may not be appropriate for other uses. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. This report should only be reviewed in its entirety. It assumes the reader is familiar with Family Care, the Wisconsin Medicaid long-term care and Waiver programs, and managed care rating principles.

The results in this report are technical in nature and are dependent upon specific assumptions and methods. No party should rely upon specific assumptions and methods. No party should rely upon these results without a thorough understanding of those assumptions and methods. Such an understanding may require consultation with qualified professionals.

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II.   FEE-FOR-SERVICE METHODOLOGY

Exhibits II-1 and II-2 contain the 2004 comprehensive and intermediate rate developments, respectively. The rates were developed by applying one year of trend to the 2003 rates. An explanation of the components of the 2003 rates can be found in the final 2003 rate development letter dated July 18, 2003. For the intermediate population, only one statewide rate is used. An adjustment to the fee-for-service rates for the comprehensive population was made to reflect the costs associated with the MA population only.

1. The annual trend of 2.6% from 2003 to 2004 includes calendar year 2004 fee increases and is derived in a similar manner to that used last year. The fee increases were backed out of the historical PMPM trends to develop utilization and mix trend, to which the known fee increases were then applied. The calendar year 2004 fee increases are estimates because the FY2005 fee increases have not yet been finalized.

2. An adjustment factor of 0.99 was used to account for expected improved management of care for Richland County. Richland began operations a year later than the other CMOs, therefore the 0.99 factor was applied in the development of the 2003 rates for the other CMOs.

    Exhibit II-3 shows the eligible days for each year from 1999 to 2002 for both the Elderly and Disabled fee-for-service populations. The proportion of the population that is Disabled has increased each year since 1999 for both MMIS and HSRS eligibility but decreased in 2002.

    The dollar-weighted column of Table 1 is calculated by weighting each of the Elderly and Disabled columns with the corresponding 2002 total dollars for the Waiver population. The dollar-weighted one-year trend is used in Exhibits II-1 and II-2.

Table 1 Non-Family Care Counties Comprehensive Population Trend Summary				
	Elderly Population Only	**Disabled Population Only**	**Total Population**	**Dollar-Weighted Average of Elderly and Disabled**
One-Year Trend	3.7%	2.2%	2.7%	2.6%
Two-Year Trend	8.2%	5.0%	6.0%	5.8%

The total population trend reflects both the change in costs within each population and the change in the mix of eligibles by population. The dollar-weighted trend blends the observed trends of each population based on the mix of Waiver dollars in 2002 and does not reflect a changing mix of eligibles by population.

The proportion of the Waiver population which is Disabled has been fluctuating and the Disabled cost PMPM is about double the Elderly cost PMPM. This growth in the proportion of Disabled causes overall trends to be higher than if the Disabled proportion were stable. Since Family Care rates are effectively set separately for Disabled and Elderly, any change in proportion should be reflected in the rates. Thus the "dollar weighted" trends are more appropriate for Family Care projections.

If the State expects the CMOs to enroll an increasing proportion of Disableds, as has been true in the Waiver program since 1997, lower trends may be appropriate.

Exhibits II-4A, II-4B, and II-4C contain the development of the projected annual trends from 2003 to 2004 for the Total, Elderly, and Disabled comprehensive populations, respectively. These trends are also used in the rate development for the intermediate population.

Exhibits II-5A, II-5B, and II-5C summarize the comprehensive per member per month (PMPM) costs and average annual trends from 1999 to 2002 for the Total, Elderly, and Disabled populations, respectively. The trends are based on experience from non-Family Care counties only.

This fee-for-service portion of the rates assumes that each CMO has enrolled virtually all of the Waiver eligibles in its county and that its overall case mix is not likely to change significantly, so that the functional status portion will adjust for such changes. Functional measure comparisons of 2000 to 2001, 2001 to 2002, and 2002 to 2003 generally show stable or declining case mix intensity.

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III.   FUNCTIONAL SCREEN RISK ADJUSTMENT METHODOLOGY

This section of the report details the development and statistical validity of a risk adjustment methodology appropriate for the State's needs and which meets CMS requirements as specified in its checklist titled "The Financial Review Documentation for At-Risk Capitated Contracts Ratesetting".

The State desired to adjust payments to CMOs to recognize the relative needs of the recipients in the Family Care program. Commercially available risk adjusters have been developed to use diagnostic and demographic information to predict acute care costs for employer, Medicare, and disabled populations. These approaches were not specifically designed to predict the long-term care costs in a population such as Family Care. Long term care costs in this population are more closely related to recipient functional status, such as activities of daily living (ADL), than to factors such as age, gender, or diagnoses. The State believes that a functional based model can achieve a higher degree of predictive power than commercially available risk adjustment systems.

Data Preparation

Managed care experience data from the five Wisconsin CMOs provided the basis for determining cost. Exposure and functional screen data was also provided by the State. Total claims and total eligibility days in 2002 were accumulated for each recipient. Cost PMPM was determined as the total payments divided by total eligibility days times 30.41667 (the average number of days in a month).

We included eligibility and claim experience from January 2002 through December 2002. The functional screen values associated with 2002 costs are based on the screen applicable in January 2002 or the first month of participation thereafter. In other words, if a recipient participated in Family Care during 2002 and was rescreened during 2002, the initial screen values are used to predict 2002 costs. The actual screening date may have been prior to January 1, 2002; we utilized the screen closest but prior to January 1, 2002.

Occasionally a value is missing on a screen. If the gender is missing, we assume the recipient is female. If the date of birth is missing, we assume the average for the overall population. Neither age or gender are rating variables. For any item on the screen, if there is no response to a question, we assume that the recipient does not have the characteristic addressed by the question.

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Functional Screen Actual Experience

Aggregate 2002 claims used for the statistical analysis are $113,561,610, and the exposure months total 68,341 for a PMPM of $1,661.70 for the MA comprehensive population. Exhibit III-1A shows this experience by county, target group, and category of service (Exhibit III-1B shows this experience when the non-MA and non-comprehensive are included). These tables also show the annual utilization of nursing home days and ICF / MR days. Costs are assumed to be gross of all third party liability / participant cost share.

IBNR adjustments are made in aggregate by CMO. Fond du Lac data was reported through an earlier date and was increased by 0.9%, all other CMOs were increased by 0.3%.

The remainder of this section summarizes the methodology behind and the results of the regression analysis conducted on the CMO calendar year 2002 encounter data and the functional measures reported from the screens conducted by the Resource Centers. Regression is a statistical technique that develops estimates of the effects of each factor individually, simultaneously adjusting for the impact of other characteristics. This regression model serves as the basis of the risk adjustment methodology.

Sample Size

There were 7,398 MA Comprehensive recipients of Family Care services during 2002. Hence, the entire population can be used for purposes of statistical modeling. Half of the population was used for designing the risk adjustment methodology. The other half was used for validation.

This sample size is sufficient for developing a risk adjustment system in light of the centrality of the distribution of long term care costs in this population. The 'tail' in this distribution is smaller than in employer, Medicare, and other Medicaid populations.

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Health Status Information

All recipients were given health status and functional screens annually prior to January 1, 2002 or at the point of Family Care enrollment during 2002. Such information is readily available on the State's administrative system and is expected to be available while the Family Care program is in effect.

The health status and functional screens collect the following information on recipients:

♦ Type of living situation, level of care (e.g., skilled nursing) and the presence of a caregiver in the home

♦ The level of assistance for each activity of daily living (i.e., ADLs)

♦ The level of assistance for each instrument activity of daily living (i.e., IADLs)

♦ The presence of a developmental disability

♦ The presence of one of 64 diagnoses groups allocated into 10 diagnostic classes

♦ The use of certain medications

♦ The frequency of certain health related services (e.g., pain management, TPN, dialysis, etc.)

♦ The levels of communication, memory, and cognition

♦ The presence and extent of certain behaviors (wandering, self-injurious, offensive, etc.)

Legal and administrative information is also collected but not used for risk adjuster development.

All screeners are trained by the State prior to their administering screens to recipients.

Carve-Outs

In developing the model, no covered services were carved out from the program's benefit package.

Any recipients that were not eligible for Medical Assistance and those not eligible for comprehensive care were excluded from the risk adjustment and rate setting process. These populations constituted about 8% of the Family Care population in 2002. Rates are separately set for non-MA and non-comprehensive recipients.

Approach to Risk Adjustment

Estimated costs PMPM are determined for recipients based on each recipient's IADL count, specific levels of ADL assistance needed, the presence of certain behavioral problems, detail on medication assistance provided, the level of care provided, the type of developmental disability (if any), certain combinations of ADLs, and geographic region. Only screen information available prior to the cost period is used. Hence, our approach is prospective.

Linear regression was used to model the effects of the above factors in predicting costs PMPM. The overall estimate for a recipient is the sum of the coefficients for the factors applicable to the recipient, plus the regression intercept. This method essentially scores each recipient rather than categorizes them into mutually exclusive groups.

The R-squared of the risk adjuster is 39%. This level of performance exceeds the 13% to 20% typically seen with nationally recognized prospective models for acute care services. We believe that our model performs better than these systems because long term care costs are more associated with functional impairments and less associated with diagnoses as in acute care models.

It should be noted that for the model on the validation dataset, the R-squared is 36%. The predictive ratio of the model is 1.01. For the most costly 20% of the population, the predictive ratio is 0.6 whereas for the least costly 20% the predictive ratio is 3.6.

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Financial Simulations

Financial simulations were performed on the expected payments made to CMOs. These simulations were conducted at the expected enrollment sizes for each of the contracted counties.

Regression Modeling - Details

An ordinary linear regression model is used to relate costs to recipient functional characteristics. The unit of analysis is the recipient. That is, the 2002 costs and the functional screen in effect on January 1, 2002 (or at enrollment if enrollment occurred during 2002) constitute one observation.

All statistical analyses weigh experience in proportion to each recipient's days of eligibility during 2002. Furthermore, we exclude outliers at the highest and lowest 0.5% of all recipients based on cost.

The analysis begins with an examination of the cost distribution, which is found to be skewed rather than symmetric around the mean. We considered using a log transformation to improve the fit of the model but ultimately found a better fit without using a transformation.

A correlation study of the relationship between predictors and costs guided the initial steps in building the model. Modeling proceeds in a stepwise manner, starting with variables that explain the most variation and incrementally adding variables that have marginally decreasing effect on increasing the model's R-squared. The county variables are always included at each step. Note also that all predictor variables are coded as binary variables. Thus, a recipient either has a particular characteristic or they do not. This also means that no relationship, linear or otherwise, is forced upon a variable such as two ADLs having half the effect of four ADLs, etc.

Potential predictors are included in the model if they are significant at the 5% level of significance. Since a number of variables proved to contribute little towards the model's overall R-squared and since many predictors are correlated, consideration is given to the presence of multicolinearity. Several variables are excluded to simplify the model at this point if including them only marginally increases model fit.

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With a baseline model established, the effects of interaction are considered. Interaction terms are important since the effect of, for example, a bathing ADL requiring assistance with a dressing ADL requiring assistance, may be greater or lesser than the sum of these effects modeled individually only.

Parsimony is a central objective in the modeling process. We attempt to include the most influential interactions without unnecessarily cluttering the model.

Twenty seven variables are used to predict cost. The variables are separated into the following classes: region, level of care, IADL, specific ADL, interactions, behavioral, and medication use. The estimated impact on the cost for each variable is shown along with its significance (i.e., p-value) and relative contribution in explaining the variation (i.e., Partial R^2) and the proportion of the population with the characteristic.

Exhibit III-2 shows the final statistical model. The model explains approximately 39% of the variation in the data. The model has a mean of $1,686 PMPM versus an actual of $1,666 PMPM. Thus, the model's estimates are decreased by 1.1% to match actual results.

The average effect of each variable shows how the aggregate cost PMPM can be allocated among individual characteristics in the population. For example, the model attributes $104 PMPM of the aggregate PMPM ($1,686) to IADL-5. Note that because of correlation and interaction, and the limitations of linear modeling, some coefficients can be negative. Thus, it is important to view the results in Exhibit III-2 in terms of the composite characteristics of all the factors, rather than only each factor individually.

Once the final model was determined, we investigated the residual influence of age and gender and found that these factors do not add to the predictive power of the model. The costs traditionally modeled using demographic variables appear to be adequately modeled using age and gender related functional characteristics.

County Factors

The county values developed by the regression represent differences in costs by county that are not explained by other variables in the model. The county estimates represent differences due to CMO management, provider fee levels, resource availability, potentially incomplete data and other factors.

The county factors to be used for rating are intended to recognize non-CMO management factors.

We developed factors based on the relative wage levels and fees paid in the five CMO counties. We used wage data collected by the State for occupations involved in providing care: registered nurses, social workers, home health aids, personal care / home care aids and personal care / service. We also reviewed average fees paid by Medicaid for nursing home and residential care days. The relative wage and fee levels were composited using the relative costs used for these services by all CMOs combined. This process estimates the potential costs faced by the CMOs.

We averaged these relative values with the county factors from the regression model to avoid making too large a change in a single year. The Richland fee / wage based data showed unusual results due to Richland's small size. For Richland we used half of the county effect as measured by the regression model. The table below shows the combined effects of this adjustment.

Family Care County Effect Adjustment		
	Regression Values PMPM	**Adjusted Values PMPM**
Fond du Lac	($347.09)	($275.72)
La Crosse	(324.09)	(288.47)
Milwaukee	0.00	(21.10)
Portage	(121.41)	(178.22)
Richland	(167.72)	(147.43)
Composite	($127.14)	($125.79)

All values shown are negative since the highest cost county, Milwaukee, was used as the base in the regression model.

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Application of the Model

The State has available the functional screens of the Family Care population enrolled in each county during October 2003. The regression model parameters were applied to these populations to derive an expected cost PMPM by county. Exhibit III-3 shows the distribution of the population by CMO and functional measure used to calculate the final functional based rates.

We used the rating model to measure the relative case mix by CMO by year. The rating model developed last year can be used to compare calendar years 2000, 2001 and 2002. This year's rating model can be used to compare calendar years 2002 and 2003. Exhibit III-4 shows the changes by CMO.

IV.   FINAL RATE METHODOLOGY

This section outlines the final rate development.

As illustrated in the previous two sections, the 2004 rates were developed in two separate steps:

1. Apply trends to existing fee-for-service based 2003 rates. This rate methodology uses fee-for-service (FFS) experience as outlined in Section II. Exhibit II-1 summarizes the 2004 fee-for-service based rates.

2. Determine functional status indicators based on 2002 CMO reported experience and functional screens from the Resource Centers as outlined in Section III. The 2002 CMO experience was trended to 2004.

The final rates use values from both (1) and (2), blended with 25% and 75% weights, respectively, to determine a final rate. The functional status based cost for calendar year 2002 is trended to 2004 and divided by a target administration, risk and technology factor to develop a capitation rate. A value of 7% was used for the four larger CMOs and 12% was used for Richland. Richland is smaller than the other four CMOs and began operations one year later. Richland has about 50% of the enrollment of the next larger CMO, and about 20% of the enrollment of the second largest CMO (Milwaukee is the largest). Consequently, Richland has a much smaller base over which it can spread its administrative expenses, has had one fewer year to develop infrastructure and is more subject to risk fluctuation than the other CMOs. The 7% factor is based on a review of CMO reported administrative costs in 2002 and year-to-date 2003.

The 7% and 12% factors were increased by 0.25% to include a share of the savings from fee-for-service cost achieved by the CMOs. The combined capitation rate for all five CMOs for 2003 was compared to the projected cost if there had been no Family Care program. The CMOs' share of the savings was determined to be 0.25%.

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Costs are projected two years using the 5.8% two-year total trend from Section II. Functional screen cost estimates are adjusted to reflect IBNR through October 2003. This factor is 0.3% for all counties other than Fond du Lac. Fond du Lac's IBNR factor is 0.9%.

Exhibit IV-1 shows the projection of functional based rates to 2004 and the blending with the FFS based rates.

A cost-sharing adjustment was made to produce preliminary net rates from the gross cost projection. The amount of the cost-sharing adjustment is estimated based on Federal regulations and is specific to the MA population. The estimate is based on the most recent Family Care data available. Actual cost sharing data will replace these estimates at the end of the contract year and a corresponding retrospective adjustment will be made.

The rates were further adjusted to account for nine eligibles being relocated from a northern center based on the estimated per diem cost of these members. The estimated cost of these members is $8,785.12 per month. The same cost was used for all counties. The members must be relocated to a CMO by May 1, 2004.

Due to the unique nature of nursing homes operated by local units of government, local government-operated homes are eligible for funding under section 3.775 of "Methods of Implementation for Wisconsin Medicaid Nursing Home Payment Rates for the Period July 1, 2003 through June 30, 2004". These nursing homes may contract with Family Care CMOs. In these instances, Family Care CMOs receive these funds through their capitation payment and distribute to the nursing homes. Due to various timing issues, these payments are made through retrospective adjustment to the capitation rate, at the same time as other adjustments (e.g., cost share and MA/non-MA). The retrospective payment is estimated to be less than 0.5% for CY 2004.

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V.   DUAL ELIGIBLE COMPARISON

In response to a question raised by CMS during their review of the 2003 rate development, we compared the statistical model being developed from 2002 CMO experience with and without a variable for Medicare eligibility.

The model with a dual eligible variable showed the same R^2 as the model without the dual eligible variable, meaning that the model with a dual eligible indicator did not account for any more variation than the model without the variable. In addition, the coefficient for the various variables changed by an insignificant amount between the two models.

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Exhibit II-1

2004 Rates Developed from 2003 Fee-For-Service Based Rates
Comprehensive Population

Composite Rates

County	2003 Net Rate	2004 Trend	Adjustment Factor for Expected Improved Management	Cost Share Adjustment	2004 Gross Rate	Ratio of MA Costs to Blended Costs	2004 Gross MA Rate
Fond du Lac	$1,933.78	2.6%	1.00	1.000	$1,984.06	1.003	$1,990.01
LaCrosse	$1,763.37	2.6%	1.00	1.016	$1,838.17	1.019	$1,873.10
Milwaukee	$1,801.69	2.6%	1.00	1.002	$1,852.23	1.020	$1,889.27
Portage	$2,596.39	2.6%	1.00	1.016	$2,706.52	1.026	$2,776.89
Richland	$2,005.26	2.6%	0.99	1.009	$2,054.73	1.013	$2,081.44

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Exhibit II-2

**2004 Rates Developed from 2003 Fee-For-Service Based Rates
Intermediate Population**

Composite Rates

Target Group	2003 Rate	2004 Trend	2004 Rate
Statewide	$657.40	2.6%	$674.49

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Exhibit II-3

Non-Family Care Counties
Comprehensive Population

Annual Eligibility Summary

MMIS				
	1999	2000	2001	2002
Eligible Days				
Elderly	2,378,045	2,363,835	2,455,131	2,767,634
Disabled	3,195,581	3,373,416	3,504,334	3,842,830
Total	5,573,626	5,737,251	5,959,465	6,610,464
Percent of Total				
Elderly	42.7%	41.2%	41.2%	41.9%
Disabled	57.3%	58.8%	58.8%	58.1%
Total	100.0%	100.0%	100.0%	100.0%

HSRS				
	1999	2000	2001	2002
Eligible Days				
Elderly	2,107,411	2,119,821	2,178,162	2,469,284
Disabled	3,024,662	3,215,861	3,334,559	3,647,924
Total	5,132,073	5,335,682	5,512,721	6,117,208
Percent of Total				
Elderly	41.1%	39.7%	39.5%	40.4%
Disabled	58.9%	60.3%	60.5%	59.6%
Total	100.0%	100.0%	100.0%	100.0%

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Exhibit II-4A

Non-Family Care Counties
Comprehensive Population - Total

Development of Projected Trends

	2002 PMPM	2002 - 2003 Reimbursement Trend	2002 - 2003 Mix / Utilization Trend	Projected 2003 PMPM	2003 - 2004 Reimbursement Trend	2003 - 2004 Mix / Utilization Trend	Projected 2004 PMPM
Nursing Facility	$98.85	3.66%	-0.6%	$101.87	2.60%	-0.6%	$103.91
MR Centers	9.51	3.66%	-0.6%	9.80	2.60%	-0.6%	10.00
MR Facilities	13.53	3.66%	-0.6%	13.94	2.60%	-0.6%	14.22
Home Care	398.82	0.55%	-0.6%	398.66	0.00%	-0.6%	396.33
Case Management	2.70	0.55%	-0.6%	2.70	0.00%	-0.6%	2.69
Other	71.78	0.55%	-0.6%	71.75	0.00%	-0.6%	71.33
MMIS Total	$595.19			$598.73			$598.47
Habilitation	$6.90	0.55%	3.5%	$7.18	0.00%	3.5%	$7.43
Home Care	600.65	0.55%	3.5%	625.16	0.00%	3.5%	647.12
Residential	669.60	0.55%	3.5%	696.92	0.00%	3.5%	721.40
Case Management	155.27	0.55%	3.5%	161.60	0.00%	3.5%	167.28
Other	484.50	0.55%	3.5%	504.27	0.00%	3.5%	521.98
Cost Sharing	-11.36	0.00%	3.5%	-11.76	0.00%	3.5%	-12.17
HSRS Total	$1,905.55			$1,983.38			$2,053.03
Total MMIS and HSRS	$2,500.74			$2,582.11			$2,651.51
Two-year Trend							6.0%
Annual Trend				3.3%			2.7%

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Exhibit II-4B

Non-Family Care Counties
Comprehensive Population - Elderly

Development of Projected Trends

	2002 PMPM	2002 - 2003 Reimbursement Trend	2002 - 2003 Mix / Utilization Trend	Projected 2003 PMPM	2003 - 2004 Reimbursement Trend	2003 - 2004 Mix / Utilization Trend	Projected 2004 PMPM
Nursing Facility	$176.85	3.66%	-3.1%	$177.72	2.60%	-3.1%	$176.77
MR Centers	0.07	3.66%	-3.1%	0.07	2.60%	-3.1%	0.07
MR Facilities	2.31	3.66%	-3.1%	2.32	2.60%	-3.1%	2.31
Home Care	211.50	0.55%	-3.1%	206.16	0.00%	-3.1%	199.87
Case Management	2.17	0.55%	-3.1%	2.12	0.00%	-3.1%	2.06
Other	49.26	0.55%	-3.1%	48.02	0.00%	-3.1%	46.55
MMIS Total	$442.16			$436.42			$427.62
Habilitation	$3.69	0.55%	5.9%	$3.93	0.00%	5.9%	$4.16
Home Care	396.07	0.55%	5.9%	421.57	0.00%	5.9%	446.26
Residential	456.67	0.55%	5.9%	486.07	0.00%	5.9%	514.53
Case Management	137.19	0.55%	5.9%	146.03	0.00%	5.9%	154.58
Other	145.40	0.55%	5.9%	154.76	0.00%	5.9%	163.82
Cost Sharing	-17.61	0.00%	5.9%	-18.65	0.00%	5.9%	-19.74
HSRS Total	$1,121.41			$1,193.71			$1,263.61
Total MMIS and HSRS	$1,563.58			$1,630.13			$1,691.23
Two-year Trend							8.2%
Annual Trend				4.3%			3.7%

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Exhibit II-4C

Non-Family Care Counties
Comprehensive Population - Disabled

Development of Projected Trends

	2002 PMPM	2002 - 2003 Reimbursement Trend	2002 - 2003 Mix / Utilization Trend	Projected 2003 PMPM	2003 - 2004 Reimbursement Trend	2003 - 2004 Mix / Utilization Trend	Projected 2004 PMPM
Nursing Facility	$42.68	3.66%	0.5%	$44.46	2.60%	0.5%	$45.85
MR Centers	16.31	3.66%	0.5%	17.00	2.60%	0.5%	17.53
MR Facilities	21.60	3.66%	0.5%	22.51	2.60%	0.5%	23.21
Home Care	533.73	0.55%	0.5%	539.36	0.00%	0.5%	542.06
Case Management	3.09	0.55%	0.5%	3.12	0.00%	0.5%	3.13
Other	88.00	0.55%	0.5%	88.93	0.00%	0.5%	89.37
MMIS Total	$705.40			$715.36			$721.14
Habilitation	$9.06	0.55%	2.6%	$9.35	0.00%	2.6%	$9.59
Home Care	739.12	0.55%	2.6%	762.43	0.00%	2.6%	782.18
Residential	813.73	0.55%	2.6%	839.39	0.00%	2.6%	861.13
Case Management	167.50	0.55%	2.6%	172.78	0.00%	2.6%	177.26
Other	714.04	0.55%	2.6%	736.56	0.00%	2.6%	755.63
Cost Sharing	-7.13	0.00%	2.6%	-7.31	0.00%	2.6%	-7.50
HSRS Total	$2,436.33			$2,513.20			$2,578.28
Total MMIS and HSRS	$3,141.73			$3,228.56			$3,299.42
Two-year Trend							5.0%
Annual Trend				2.8%			2.2%

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Exhibit II-5A

Non-Family Care Counties
Comprehensive Population - Total

Annual PMPM Summary

	1999 PMPM	2000 PMPM	2001 PMPM	2002 PMPM	1999-2002 Annual Trend
Nursing Facility	$94.39	$87.70	$92.69	$98.85	1.6%
MR Centers	16.59	12.21	12.21	9.51	-16.9%
MR Facilities	9.39	9.74	13.45	13.53	12.9%
Home Care	315.63	356.23	404.35	398.82	8.1%
Case Management	2.98	2.34	2.80	2.70	-3.2%
Other [1]	77.78	73.63	71.35	71.78	-2.6%
MMIS Total	$516.76	$541.85	$596.86	$595.19	4.8%
Habilitation	$6.34	$6.27	$6.41	$6.90	2.8%
Home Care	659.78	632.19	627.70	600.65	-3.1%
Residential	520.11	565.75	625.02	669.60	8.8%
Case Management	135.98	139.44	148.09	155.27	4.5%
Other [2]	362.50	416.83	459.20	484.50	10.2%
Cost Sharing	-10.92	-10.21	-9.71	-11.36	1.3%
HSRS Total	$1,673.80	$1,750.27	$1,856.71	$1,905.55	4.4%
Total MMIS and HSRS	$2,190.56	$2,292.11	$2,453.58	$2,500.74	4.5%

[1] MMIS Other line includes DME, DMS, Occupational Therapy, Physical Therapy, Speech & Language, and Transportation.

[2] HSRS Other line includes Adaptive Equipment, Adult Day Activities, Respite Care, Transportation, and Vocational.

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Exhibit II-5B

Non-Family Care Counties
Comprehensive Population - Elderly

Annual PMPM Summary

	1999 PMPM	2000 PMPM	2001 PMPM	2002 PMPM	1999-2002 Annual Trend
Nursing Facility	$177.67	$160.71	$177.87	$176.85	-0.2%
MR Centers	0.08	1.12	0.00	0.07	-6.7%
MR Facilities	4.23	3.12	4.11	2.31	-18.2%
Home Care	184.52	199.52	224.33	211.50	4.7%
Case Management	2.14	1.91	2.60	2.17	0.5%
Other [1]	50.36	48.51	49.79	49.26	-0.7%
MMIS Total	$419.00	$414.90	$458.70	$442.16	1.8%
Habilitation	$3.79	$3.49	$3.37	$3.69	-0.8%
Home Care	415.64	418.34	409.49	396.07	-1.6%
Residential	276.85	321.65	376.32	456.67	18.2%
Case Management	116.36	122.49	130.32	137.19	5.6%
Other [2]	123.22	129.63	137.97	145.40	5.7%
Cost Sharing	-15.01	-12.11	-13.73	-17.61	5.5%
HSRS Total	$920.84	$983.49	$1,043.74	$1,121.41	6.8%
Total MMIS and HSRS	$1,339.84	$1,398.39	$1,502.44	$1,563.58	5.3%

[1] MMIS Other line includes DME, DMS, Occupational Therapy, Physical Therapy, Speech & Language, and Transportation.

[2] HSRS Other line includes Adaptive Equipment, Adult Day Activities, Respite Care, Transportation, and Vocational.

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Exhibit II-5C

Non-Family Care Counties
Comprehensive Population - Disabled

Annual PMPM Summary

	1999 PMPM	2000 PMPM	2001 PMPM	2002 PMPM	1999-2002 Annual Trend
Nursing Facility	$32.41	$36.54	$33.02	$42.68	9.6%
MR Centers	28.87	19.98	20.77	16.31	-17.3%
MR Facilities	13.24	14.38	20.00	21.60	17.7%
Home Care	413.20	466.03	530.48	533.73	8.9%
Case Management	3.60	2.64	2.95	3.09	-5.0%
Other [1]	98.19	91.23	86.45	88.00	-3.6%
MMIS Total	$589.51	$630.80	$693.66	$705.40	6.2%
Habilitation	$8.12	$8.10	$8.40	$9.06	3.7%
Home Care	829.89	773.16	770.23	739.12	-3.8%
Residential	689.60	726.66	787.48	813.73	5.7%
Case Management	149.65	150.61	159.70	167.50	3.8%
Other [2]	529.22	606.14	669.03	714.04	10.5%
Cost Sharing	-8.06	-8.97	-7.09	-7.13	-4.0%
HSRS Total	$2,198.42	$2,255.71	$2,387.75	$2,436.33	3.5%
Total MMIS and HSRS	$2,787.93	$2,886.51	$3,081.41	$3,141.73	4.1%

[1] MMIS Other line includes DME, DMS, Occupational Therapy, Physical Therapy, Speech & Language, and Transportation.

[2] HSRS Other line includes Adaptive Equipment, Adult Day Activities, Respite Care, Transportation, and Vocational.

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Exhibit III-1A
Family Care
Summary of 2002 Experience Used in Statistical Analysis of Functional Screens
Excludes IBNR Adjustment
MA Comprehensives Only
by Service Category

| | Fond du Lac | | La Crosse | | Milwaukee | | Portage | | Richland | | All |
	Elderly	Disabled	Elderly	Disabled	Elderly	Disabled	Elderly	Disabled	Elderly	Disabled	Counties
Exposure Months	4,887	4,626	4,843	7,298	37,813	298	2,783	3,050	1,247	1,495	68,341
Adaptive Equipment	$ 30.89	$ 39.26	$ 57.57	$ 96.00	$ 43.44	$ 76.58	$ 50.26	$ 69.01	$ 38.12	$ 67.91	
Adult Day Activities	57.06	175.14	22.40	162.28	72.30	124.90	33.05	246.98	3.19	110.36	
Case Management	166.07	217.80	182.61	192.45	257.44	263.02	164.65	172.86	243.98	271.07	
Community At Large	-	-	-	-	-	-	-	-	-	-	
Cost Share And Refunds	(137.97)	(148.73)	(107.78)	(136.18)	(111.17)	(37.16)	(146.48)	(135.21)	(75.46)	(99.63)	
Family Support Funding	-	-	-	-	-	-	-	-	-	-	
Habilitation/Health	1.80	7.80	16.63	48.66	11.47	21.07	10.64	19.13	25.49	33.39	
Home Care	111.09	349.30	153.54	312.09	353.20	349.43	499.41	1,142.04	377.90	376.31	
Home Health Care	53.45	81.99	90.68	211.15	223.96	334.89	14.91	33.94	54.37	55.88	
Housing	0.84	5.19	8.28	17.61	3.78	0.27	8.92	11.51	5.39	11.35	
Institutional	217.09	134.08	376.41	101.09	119.01	73.92	226.89	116.03	424.87	58.29	
Member Tracking	-	-	-	-	-	-	-	-	-	-	
Other	0.96	3.17	-	-	0.87	18.94	2.21	9.51	1.93	4.08	
Residential Care	872.95	846.99	478.89	541.84	557.33	290.68	500.88	775.72	372.06	700.10	
Respite Care	2.43	16.26	15.35	66.88	-	-	18.93	60.35	1.87	56.20	
Transportation	32.54	61.38	12.58	83.89	30.72	21.86	21.78	30.17	7.53	20.10	
Vocational	13.20	240.94	4.66	207.12	10.92	9.93	2.26	227.00	14.18	173.81	
Total	$ 1,422.41	$ 2,030.58	$ 1,311.82	$ 1,904.87	$ 1,573.26	$ 1,548.32	$ 1,408.30	$ 2,779.04	$ 1,495.42	$ 1,839.22	
Annual Nursing Home Days per 1,000	24,723	15,919	50,998	8,743	13,025	8,895	27,416	7,420	45,257	6,581	
Annual ICF/MR Days per 1,000	-	-	-	1,041	-	-	-	1,908	-	-	
Composite Cost PMPM		$ 1,718.13		$ 1,668.30		$ 1,573.06		$ 2,125.06		$ 1,682.86	$ 1,661.70

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Exhibit III-1B
Family Care
Summary of 2002 Experience Used in Statistical Analysis of Functional Screens
Excludes IBNR Adjustment
All Recipients
by Service Category

	Fond du Lac		La Crosse		Milwaukee		Portage		Richland		All
	Elderly	Disabled	Elderly	Disabled	Elderly	Disabled	Elderly	Disabled	Elderly	Disabled	Counties
Exposure Months	5,215	4,837	5,572	7,962	40,459	340	3,153	3,423	1,404	1,614	73,979
Adaptive Equipment	$ 30.22 $ 39.47		$ 55.03 $ 90.98		$ 42.65 $ 67.65		$ 47.72 $ 64.09		$ 35.75 $ 64.05		
Adult Day Activities	54.23	173.39	22.23	154.79	70.50	130.24	31.87	231.10	2.83	102.23	
Case Management	168.31	215.60	179.85	193.51	257.68	255.72	168.09	168.86	257.72	273.35	
Community At Large	-	-	-	-	-	-	-	-	-	-	
Cost Share And Refunds	(141.82)	(143.55)	(103.54)	(127.52)	(120.14)	(34.85)	(143.16)	(127.52)	(85.66)	(94.36)	
Family Support Funding	-	-	-	-	-	-	-	-	-	-	
Habilitation/Health	1.71	8.64	16.88	46.76	10.98	18.46	11.66	18.79	22.89	32.97	
Home Care	108.13	346.03	145.00	308.15	343.91	333.88	474.50	1,036.62	365.93	378.32	
Home Health Care	55.31	80.54	84.91	194.48	215.62	295.23	14.06	30.24	52.91	51.75	
Housing	0.79	4.96	7.48	17.20	3.71	0.24	7.87	11.29	5.86	10.52	
Institutional	209.76	128.22	399.91	103.19	130.98	82.25	245.32	103.39	396.98	80.25	
Member Tracking	-	-	-	-	-	-	-	-	-	-	
Other	0.99	3.04	-	-	0.82	16.60	2.07	8.56	1.84	8.19	
Residential Care	877.98	826.74	500.78	510.12	577.18	254.75	536.12	714.23	409.05	691.86	
Respite Care	2.28	15.55	15.73	63.27	-	-	16.91	54.92	1.66	52.05	
Transportation	31.19	60.60	13.14	79.26	29.86	22.03	20.75	28.21	7.69	20.95	
Vocational	12.89	239.42	4.05	199.33	10.21	8.70	2.64	233.18	12.60	194.54	
Total	$ 1,411.98 $ 1,998.66		$ 1,341.46 $ 1,833.52		$ 1,573.96 $ 1,450.90		$ 1,436.42 $ 2,575.96		$ 1,488.07 $ 1,866.65		
Annual Nursing Home Days per 1,000	23,981	15,223	53,426	8,861	14,257	9,594	27,854	6,612	42,533	8,793	
Annual ICF/MR Days per 1,000	-	-	-	954	-	-	1,313	1,700	-	-	
Composite Cost PMPM	$ 1,694.30		$ 1,630.94		$ 1,572.93		$ 2,029.56		$ 1,690.57		$ 1,645.43

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SNF Subset Applies Only to Non-DD Recipients

Mean	R-Sq
1,686.42	39.2%

Variable	Estimate	p-Value	Partial R^2	Proportion of Population With Variable	Average Effect of Variable
Intercept (Grid Component)	692.012	<.0001	-		692.01
County - (Grid Component)					
RICHLAND	-167.723	0.0115	0.0000	0.0419	(7.03)
LACROSSE	-324.092	<.0001	0.0008	0.1834	(59.43)
FONDDULAC	-347.093	<.0001	0.0001	0.1447	(50.23)
PORTAGE	-121.415	0.0122	0.0021	0.0861	(10.45)
DD/NH Level of Care (Grid Component)					
DD1A	1122.243	<.0001	0.1070	0.0536	60.17
DD1B	736.992	<.0001	0.0172	0.0107	7.88
DD2	700.218	<.0001	0.0385	0.1125	78.80
SNF	65.048	0.0564	0.0499	0.3665	23.84
Number of IADLs (Grid Component)					
iadl_2	125.057	0.0204	0.0089	0.1360	17.01
iadl_3	212.604	<.0001	0.0087	0.2051	43.60
iadl_4	358.378	<.0001	0.0014	0.3195	114.50
iadl_5	525.048	<.0001	0.0225	0.1981	103.99
iadl_6	1044.056	<.0001	0.0393	0.0405	42.31
Specific ADLs / Equipment Used (Add-On)					
Bathing_2	215.015	<.0001	0.0339	0.3978	85.53
Dressing_2	155.491	0.0013	0.0158	0.1999	31.08
Toileting_1	75.478	0.0562	0.0009	0.1705	12.87
Toileting_2	121.982	0.0510	0.0060	0.1306	15.93
Transfer_2	245.280	<.0001	0.0024	0.1111	27.26
Interaction Terms (Add-On)					
Bathing_Bathing_Equip	103.745	0.0054	0.0033	0.5556	57.64
Bathing_Dressing	150.087	0.0008	0.0044	0.4850	72.79
Bathing_Equip_Transfer	487.778	<.0001	0.0027	0.0271	13.20
Eating_Mobility	176.811	<.0001	0.0014	0.1471	26.02
Bathing_Equip_Dress	108.210	0.0409	0.0004	0.2893	31.31
Behavioral Variables (Add-On)					
Injury_flag	518.909	<.0001	0.0093	0.0514	26.67
Offensive_flag	342.267	<.0001	0.0052	0.1050	35.94
Medication Use (Add-On)					
Meds_2A	287.591	<.0001	0.0003	0.1865	53.63
Meds_2B	449.088	<.0001	0.0093	0.3108	139.59

1,686.42

Exhibit III-3
Family Care
Proportion of Population with Characteristics by County and Year
Includes IBNR Adjustment, Comprehensive MAs Only

	Proportion of 2003 Population with Characteristic				
Factor	**Fond du Lac**	**La Crosse**	**Milwaukee**	**Portage**	**Richland**
Disability or Nursing Home					
DD1A	2.1%	1.4%	0.5%	1.9%	2.3%
DD1B	1.9%	4.4%	0.3%	6.5%	5.8%
DD2	28.0%	20.4%	5.7%	18.9%	19.6%
SNF	20.0%	15.7%	23.6%	21.6%	11.2%
IADLs					
2 IADLs	11.0%	16.3%	13.1%	14.7%	18.8%
3 IADLs	16.4%	19.1%	19.9%	18.3%	21.5%
4 IADLs	32.1%	27.5%	35.9%	29.7%	24.6%
5 IADLs	26.9%	18.0%	19.6%	22.6%	18.5%
6 IADLs	7.3%	7.3%	0.6%	6.6%	8.1%
ADLs					
Bathing_2	38.8%	37.8%	41.3%	46.5%	31.9%
Dressing_2	17.5%	18.9%	21.0%	22.5%	13.5%
Toileting_1	11.6%	17.5%	15.7%	16.0%	16.2%
Toileting_2	13.8%	13.4%	12.5%	18.3%	10.4%
Transfer_2	11.7%	11.2%	11.1%	15.2%	8.8%
Interaction Terms					
Bathing_Bathing_Equip	56.0%	56.1%	59.4%	66.9%	50.8%
Bathing_Dressing	39.2%	48.0%	49.5%	55.9%	40.4%
Bathing_Equip_Transfer_Equip	4.7%	4.8%	1.5%	5.8%	5.0%
Eating_Mobility	11.4%	18.5%	13.9%	17.1%	12.3%
Bathing_Equip_Dressing	25.2%	29.7%	31.8%	41.0%	26.2%
Behavioral					
Injury_flag	5.8%	8.0%	2.7%	10.2%	6.5%
Offensive_flag	14.0%	15.3%	6.6%	19.4%	13.8%
Medication Use					
Meds_2A	18.1%	15.7%	20.6%	15.5%	18.5%
Meds_2B	34.1%	28.7%	31.3%	39.3%	25.8%

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Exhibit III-4
Family Care
Case Mix Changes by Year and County

Years	Fond du Lac	La Crosse	Milwaukee	Portage	Richland
2001 vs 2000 (Based on 2001 Rating Model)	1.0%	-5.9%	1.5%	-9.5%	NA
2002 vs 2001 (Based on 2002 Rating Model)	0.1%	1.6%	5.3%	-4.9%	-1.8%
2003 vs 2002 (Based on 2003 Rating Model)	-4.0%	-3.2%	-1.3%	-0.1%	-1.5%

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Exhibit IV-1
Family Care
Final 2004 Rates

County	Average DD/NH and IADL	Average Add On	Total Statistcal Model 2001 PMPM	Administration and Risk Add On	Two-Year Trend	2004 Functional Screen Gross MA Rate	2004 Fee For Service Gross MA Rate	75/25 Weighing: 2004 Gross MA Rates	2004 Average MA Cost Sharing PMPM	Preliminary 2004 Net MA Rates
Fond du Lac	$1,033.23	$628.48	$1,661.72	92.75%	5.8%	$1,895.52	$1,990.01	$1,919.14	$48.97	$1,870.18
La Crosse	925.81	647.15	1,572.96	92.75%	5.8%	1,794.28	1,873.10	1,813.99	53.96	1,760.03
Milwaukee	1,018.74	607.92	1,626.66	92.75%	5.8%	1,855.53	1,889.27	1,863.97	47.63	1,816.33
Portage	1,069.50	794.22	1,863.72	92.75%	5.8%	2,125.95	2,776.89	2,288.69	46.16	2,242.52
Richland	1,084.54	567.77	1,652.31	87.75%	5.8%	1,992.18	2,081.44	2,014.50	43.05	1,971.45

County	75/25 Weighing: 2004 Gross MA Rates	Ratio of MA Rates to Non-MA Rates	2004 Gross Non-MA Rates	2004 Average Non-MA Cost Sharing PMPM	Final 2004 Net Non-MA Rates
Fond du Lac	$1,919.14	0.916	$1,758.70	$434.41	$1,324.29
La Crosse	1,813.99	1.007	1,826.94	343.47	1,483.47
Milwaukee	1,863.97	1.004	1,870.58	452.51	1,418.07
Portage	2,288.69	0.923	2,111.34	279.01	1,832.33
Richland	2,014.50	1.071	2,158.38	210.36	1,948.02

County	Preliminary 2004 Net MA Rates	Relocation Rates	Projected 2004 MA Months	Projected 2004 Relocation Months	Final 2004 Net MA Rates	Final 2004 Net Non-MA Rates	Projected 2004 MA Months	Projected 2004 Non-MA Months	Final 2004 Composite Net Rates	2003 Composite Net Rates	Change From 2003
Fond du Lac	$1,919.14	$8,785.12	11,052	36	$1,892.63	$1,324.29	11,088	230	**$1,881.07**	$1,945.08	-3.3%
La Crosse	1,813.99	8,785.12	17,874	36	1,774.15	1,483.47	17,910	637	**1,764.17**	1,802.23	-2.1%
Milwaukee	1,863.97	8,785.12	61,074	12	1,817.70	1,418.07	61,086	1,103	**1,810.61**	1,767.57	2.4%
Portage	2,288.69	8,785.12	8,772	24	2,260.37	1,832.33	8,796	105	**2,255.32**	2,367.65	-4.7%
Richland	2,014.50	8,785.12	3,660	-	1,971.45	1,948.02	3,660	75	**1,970.98**	1,975.77	-0.2%

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